



MONTANA LEGISLATIVE BRANCH

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Legislative Fiscal Analyst
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DATE: February 22, 2006

TO: Legislative Finance Committee

FROM: Lois Steinbeck

RE: HIFA Waiver Workgroup Report

WORKGROUP ACTION

The Legislative Finance Committee (LFC) appointed a workgroup to review and comment on the Health Insurance Flexibility and Accountability (HIFA) Waiver proposed by the Department of Public Health and Human Services (DPHHS). The LFC workgroup met two times via telephone conference call to review elements of the waiver and consider issues raised by staff.

The workgroup took the following actions. It requested that:

- o DPHHS include specific clarification of the maintenance of effort (MOE) requirement in the HIFA waiver proposal.
- o DPHHS include in its Executive Planning Process (EPP) request the cost to continue enrollment in the HIFA waiver at the initial levels, estimated to be \$282,123 in state matching funds during the 2009 biennium.
- o The LFC continue to monitor CHIP enrollment and outreach, including the cost of outreach.
- o The Office of Budget and Program Planning (OBPP) provide its estimates of income and expenditures from tobacco tax revenue each year of the HIFA waiver to the LFC.
- o The LFC monitor the use of the additional \$1.3 million for mental health services under the proposed waiver.
- o The LFC monitor enrollment of eligible Mental Health Services Plan (MHSP) participants in the new Medicare Part D prescription drug program and all issues associated with such enrollment.

RATIONALE FOR WORKGROUP ACTION

The workgroup made its recommendations for the following reasons.

HIFA Maintenance of Effort

Total state spending shown in the HIFA waiver proposal is \$19 million per year, while the MOE is closer to \$8 million. The proposal did not clearly show the MOE.

The state will be required to maintain the same level of state spending throughout the life of the waiver as it did in the base year (potentially FY 2006). The MOE will be based on the amount of state funds spent on the Mental Health Services Plan (MHSP) and a portion of the Montana Comprehensive Health Association (MCHA) premium assistance program. The draft waiver proposal as written includes total state spending for a number of state health insurance programs, including the entire amount (\$11 million) for the new premium assistance program for small employers authorized by the 2005 Legislature through passage of HB 667.

Cost to Maintain HIFA Enrollment

The workgroup requested that DPHHS include an EPP request for state matching funds in the 2009 biennium to maintain enrollment in the waiver. The work group did not specify an amount that should be requested, but LFD staff estimated the cost to be about \$282,123.

Enrollment decreases over the life of the waiver for children and adults in families transitioning from Medicaid. First year enrollment for children declines from 1,600 to 500 and adult enrollment falls from 650 to 175.

Enrollment declines were chosen as the way to make the waiver cost neutral to the state, meaning that state funding was held constant over the five-year life of the waiver. Since total waiver costs will rise due to medical inflation, service utilization, and potentially increases in the federal Medicaid match rate, enrollment in two waiver groups was reduced to keep state matching costs about the same.

Continued LFC Monitoring

The workgroup requested that the LFC continue to monitor several issues:

- o Enrollment in CHIP and outreach, including the cost of outreach
- o Use of the additional \$1.3 million for mental health services under the proposed waiver
- o Enrollment of eligible Mental Health Services Plan (MHSP) participants in the new Medicare Part D prescription drug program and all issues associated with such enrollment.

CHIP Enrollment

During January, DPHHS finished its new outreach plan to boost CHIP enrollment, estimated to cost about \$50,000. The workgroup wished to continue monitoring CHIP enrollment since it has been lower than anticipated by the legislature, in part because of less aggressive outreach by the executive. The workgroup wanted to ensure that the executive implemented its new outreach plan and that if enrollment continued to lag, that the LFC consider options such as changes to the enrollment levels in the several HIFA benefit groups.

When the waiver was designed, there was a waiting list for CHIP. However, there is no waiting list currently because the legislature funded about 3,000 new slots not counting the 1,600 new CHIP look alike slots in the waiver.

MHSP and Medicare Part D

There will be more funds to spend for mental health services for the MHSP population due to the waiver and Medicare Part D. The workgroup requested that the LFC continue to monitor how those funds are spent and how quickly MHSP recipients who are also eligible for Part D benefits can be enrolled in Part D plans. Since prescription drugs are the single biggest expense for MHSP, Part D savings could be significant. DPHHS is waiting for information from the Centers of Medicare and Medicaid Services (CMS) to determine MHSP recipients who are also eligible for Part D and provide assistance in ensuring those persons are enrolled in Part D. DPHHS will promulgate a rule barring Medicare eligible persons from receiving MHSP payment for prescription drugs covered by Part D.

Request for Information from OBPP

The workgroup requested that the OBPP provide its estimates of income and expenditures from tobacco tax revenue each year of the HIFA waiver to the LFC. The workgroup made this request because the HIFA waiver uses about 14 percent of the total amount of tobacco funds appropriated by the 2005 Legislature. The workgroup wanted the LFC to consider the total amount expected to be spent from tobacco funds and total revenues estimated by the executive.

FINAL HIFA PROPOSAL DELAYED

DPHHS anticipated that publication of the final HIFA proposal and decision by the Governor would be in mid to late January. However, the staff working on the HIFA proposal is the same staff that was assigned to manage issues related to Medicare Part D implementation. Workloads associated with Part D transition have deferred work on the HIFA proposal, potentially delaying a final publication and decision on HIFA until April. DPHHS will provide an update on HIFA and the impact of Part D at the LFC March meeting.

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